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ABSTRACT

A decision-focused paradigm is presented to guide the development of a comprehensive institutional plan. The primary emphasis is the identification of strategic decisions to be resolved by individual institutions and the key determinants of those decisions. Based on the paradigm, a more active role for institutional research is suggested in order to facilitate the formation of overall strategy. The term "strategic decisions" was derived from the literature on organizational strategy and policy. A brief review is presented on the relevant writing, most of which has been applied to the business sector. Six key decision areas that constitute the overall strategy of an organization are: basic philosophy and values, goals and objectives, product/program/service mix, customer mix, geographic areas to be served and competitive emphasis. The six decision areas are compared across three types of organizations: business firms, universities, and hospitals. There are four major determinants of an organization's strategy: external opportunities, external constraints, internal capabilities, and the personal values of key constituencies. An overview of a strategic planning system for colleges and universities is presented. The process begins with external and internal assessments, followed by decisions in the six strategic decision areas. The relationship of strategic decision making to implementation planning in various parts of the institution is outlined. (SW)

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STRATEGIC DECISION MAKING IN COLLEGES AND UNIVERSITIES

Robert C. Shirley

Colleges and universities face a number of threatening forces in the future: a smaller pool of applicants among the traditional college-age population; increased societal pressures for accountability and legitimization of purpose, shrinking resources from the public sector certainly, and most likely from the private sector as well; declining job prospects for graduates in many fields; continued erosion of institutional autonomy due to intervention by federal and state authorities; and other forces which have become all too familiar in the literature of higher education. The "golden age" is over, to be sure, and the future success (perhaps even survival) of many institutions will depend on their adaptive capabilities. The ability to adapt, in turn, will hinge on the extent to which institutions initiate comprehensive and proactive planning strategies which are designed to influence and shape their future environments. Unfortunately, most planning efforts are still "piecemeal" in nature, i.e., actions designed to increase future enrollments, to "trim the fat," and to address other critical issues often are undertaken serially and without reference to a larger, more inclusive plan for institutional development.

The purpose of this article is to present a decision-focused paradigm to guide the development of a comprehensive institutional plan. Primary emphasis will be given to identifying the strategic decisions which must be resolved by individual institutions and the key determinants of those decisions. Finally, based on the paradigm developed, a more active role for Institutional Research is suggested in order to facilitate the formulation of overall strategy.

The Concept of "Strategic Decisions"

The term "strategic decisions" has been derived from the literature on

organizational strategy and policy. Most of the relevant writing and research has been applied to the business sector, and a brief review of efforts in that direction is presented below.

Most authors take the view that strategy refers to the overall purposes, goals, and scope of an enterprise's activities. Broom (1969, p. 44) defines strategy as "a firm's governing, planned, overall course of action." Learned, Christensen, Andrews, and Guth (1969, p. 15) take a similar approach in stating that "strategy is the pattern of objectives, purposes, or goals and major policies and plans for achieving these goals..." Steiner and Miner (1977, p. 7) take an even broader view of the strategy phenomenon, noting that it refers not only to "basic organizational missions, purposes, and objectives" but also to "policies and program strategies" and to "the methods needed to assure that strategies are implemented to achieve organizational ends." Cannon (1968, p. 9) is consistent with the preceding authors but a bit more specific in defining strategy as "the directional action decisions which are required competitively to achieve the company's purposes."

It is useful to note that the concept of strategy focuses primarily on the relationship of an organization to its environment. Schellenberger and Boseman (1978, p. 9) indicate that "strategy management is the continuous process of effectively relating the organization's objectives and resources to the opportunities in the environment." Similarly, in one of the earliest works in this area, Ansoff (1965, p. 5) notes that "strategic decisions are primarily concerned with external, rather than internal, problems of the firm..." Finally, Schendel and Hatten (1972, p. 100) state that "strategic management is the managerial process of determining and maintaining a viable relationship between the organization and its environment..."

These rather general definitions of strategy provide a starting point for

operationalizing the phenomenon. It is clear, for example, that the purpose of strategic decisions is to define the relationship of an organization to its environment. They are to be contrasted with administrative and/or operational decisions which are implementary in nature and take their direction from strategic decisions. Given this distinction, it is possible to identify six key decision areas that constitute the overall strategy of an organization:

- Basic philosophy and values - the basic raison d'etre of the enterprise and its guiding principles for behavior.

- Goals and objectives - what the organization seeks to accomplish, both generally (goals) and specifically (objectives).

- Product/program/service mix - the types of activities engaged in to accomplish the goals and objectives.

- Customer mix - the clients being served by the organization.

- Geographic areas to be served - the physical boundaries of an organization's activities.

- Competitive emphasis - the "differential advantage" sought over other organizations engaged in similar activities.

The following section focuses on these strategic decision areas in more detail.

A Comparison of Strategic Decisions in Three Organizational Types

Table 1 compares the six strategic decision areas across three types of organizations: business firms, universities, and hospitals. Note that each of the six decision areas comprises several sub-decisions, as it were, which when taken together define the overall strategy of the organization. In a

university, for example, definition of its program mix involves more than a delineation of the offerings of the institution (no small task in itself). It also involves establishing priorities among those programs, making decisions about relative resource investments (cost/quality relationships), and continuously identifying new programs in order to maintain a proactive planning posture. Similarly, the decision area related to competitive emphasis demands that choices be made as to the means by which a differential advantage will be sought over other institutions. While quality of faculty may be the most commonly preferred choice here, Table 1 identifies other grounds for differentiation which may be more feasible for many institutions.

The sub-decisions listed under each of the six strategic decision areas in Table 1 are intended to be illustrative of the basic concepts and will not be discussed in detail here. Suffice it to say that Table 1 depicts the various choices which must be made by an organization in order to define its relationship to society. These choices are remarkably similar for the three types of organizations shown.

In summary, strategic decisions are the first-order decisions of any organization. Once clearly delineated, they provide direction to lower-order implementary decisions. Thus strategic decision making can provide the unifying thread for all organizational activities and prevent the kinds of "piece-meal" planning efforts referred to above. This approach would fulfill the dual purpose of strategy noted by Uyterhoeven, Ackerman, and Rosenblum (1973, p. 7), namely that strategy should "provide both direction and cohesion to the enterprise."

The Determinants of Strategy

There are four major determinants of an organization's strategy:

external opportunities, external constraints, internal capabilities, and the personal values of key constituencies. Each of these major determinants is discussed briefly below.

External opportunities refer to those economic, social, political/legal, and technological factors in the environment which present potential avenues of exploitation to an organization. The opportunities may have their origin in the macro environment (i.e., the larger society), or they may be micro in nature (i.e., arising from the particular locale of the institution). Examples of the former would be (a) a projected shift in the funding strategies and emphases of a national foundation or (b) less tangibly, a projected need for knowledge about the sociological impact of various elements of a national energy policy. Opportunities arising in one's locale turn on particular characteristics of the area, of course, and therefore generally offer significant possibilities for a given institution to establish elements of uniqueness in its strategy. Both forces (macro and micro) as well as the particular types (economic, etc.) determine what an institution might do as a part of its overall strategy. As indicated below, however, each external opportunity must be evaluated in relation to the internal resources and values of the institution.

The second determinant, external constraints, defines what an institution cannot do as a part of its strategy. The external forces at work may again be either macro or micro, and they cover the full range of economic, social, political/legal and technological factors. A timely example of a macro force which may become a constraint for educational institutions is the Baake case which is before the United States Supreme Court as of this writing. If the ruling is in Baake's favor, then most colleges and universities will have to deal with a significant constraint in one key strategic decision area, namely

the determination of an appropriate enrollment mix. On the other hand, a decision in favor of the University of California would constitute an external opportunity, in that those institutions making concerted efforts to increase minority enrollments would be permitted greater latitude in decision making.

To summarize thus far, external opportunities constitute the might do of strategy, whereas external constraints identify the cannot do. The third determinant of strategy, internal capabilities, defines the can do as it focuses on the particular strengths (human, financial, and facilities) of the organization. Assume, for example, that a university located in the seat of State government perceives that significant educational benefits could be realized through mutual interaction with various agencies. More specifically, assume that a given State agency perceives a need for applied policy research in the area of municipal finance. This may be a significant external opportunity for the university, one which promises intellectual gains for faculty and students alike. If, however, the university does not have strong analytic capabilities in municipal finance, the can do element of strategy is missing. This is a simple illustration of a fairly simple point, but the wholesale pursuit of such "opportunities" without a sufficient analytic base may account for much of society's current disillusionment with universities.

Just as important as the can do element of strategy is the fourth and final determinant: personal values. This determinant can be labeled the want to do element of strategy. Its cruciality to strategic decision making can be illustrated by the steadfast refusal of some universities to expand the number of openings available to students in career-oriented fields (e.g., business). This refusal is grounded in the belief (value) that a university is to do more than supply trained manpower for the economy and,

therefore, that a critical mass of resources must be maintained in low-demand fields (e.g., history). In this example, the program priorities of the institution would be driven less by external opportunities than by basic philosophies and values concerning what constitutes an appropriate liberal education. Herein lies the greatest difference between a university and a business firm insofar as strategic decision making is concerned. The strategic profile of a business firm changes primarily in response to changes in external economic opportunities, and rightfully so if one believes in the notion of a competitive economy. In contrast, the strategic profile of a university is determined primarily by the personal values of its constituencies, also rightfully so if the larger societal needs for knowledge (rather than pecuniary returns) underlie the chosen strategy.

To summarize: The environment (composed of economic, social, technological, and political/legal forces) presents various opportunities to an institution. However, the institution's internal capabilities (human, physical and financial) limit the extent to which it may capitalize on such opportunities as do environmental constraints (laws, competing institutions, etc.). Moreover, the final strategy must be congruent with the value structures of key constituencies in order to inspire commitment. Thus final decisions on the six strategic variables result from a dynamic assessment and evaluation of environmental factors in relation to organizational skills, resources, and values. Strategy formulation is a highly iterative and judgemental process in the final analysis. At the same time, much supporting data is required if the relevant external and internal factors are to be properly "matched" in the decision process.

A Strategic Planning System

Figure 1 provides an overview of a strategic planning system for colleges

and universities. The process begins with external and internal assessments, followed by decisions in the six strategic decision areas previously outlined. Once these decisions are made, implementation plans for the institution can be developed in the areas of finance, admissions, organization, physical plant, faculty development, and detailed enrollment planning. These implementation plans, in turn, constitute parameters for detailed academic and administrative planning at the department level. All plans must then be translated into budgetary terms before implementation can proceed.

This is, of course, an extremely sketchy outline of the process. The purpose, however, is not to define how the process should be effected, but rather to identify the key decision variables and their relationships within an overall system - particularly the relationship of strategic decisions to implementation planning in various functional areas of the institution.

It was noted above that strategy formulation is a highly iterative process, rather than merely sequential in nature. However, Figure 1 is presented in a linear mode to emphasize that (a) strategic decisions should be made prior to the development of institution-wide implementation plans, (b) the implementation plans, in turn, should be developed prior to the formulation of plans by individual academic and administrative departments and (c) the development of institutional budgets should await the completion of both (a) and (b). Point (b) is especially important. Unless campus-wide implementation plans are prepared first, a given department will be preparing its own plan <u>without</u> knowledge of: the relative emphasis to be placed on its program(s) by the institution; the level of enrollments, faculty positions, and budget which will be available; admissions standards for the institution; any organizational changes which may affect its programs; the plans for expansion or contraction of its facilities; and other campus-wide planning

parameters necessary for informed decision making at the departmental level. The interactive nature of the process necessitates faculty and student participation at appropriate stages, for all the reasons usually cited.

The Role of Institutional Research in Strategic Decision Making

As already pointed out, strategic decision making demands a strong supporting base of information about external factors and trends, as well as the more conventional analyses which focus on internal resource patterns and program evaluations. An Office of Institutional Research could facilitate the making of strategic decisions in two important ways: (1) by constructing an analytic paradigm which would serve, in its own institution, as a means for "matching" the major external and internal forces at work, and (2) by becoming more "outward-oriented" in its study focus. In essence, the latter point calls for an operational thrust which focuses on sophisticated methods of environmental scanning - demographic studies, market research, economic forecasting and similar types of analyses. Such a thrust may be unfamiliar to many practitioners in the field and indeed may be inappropriate in some institutions. Yet the fact remains that the pressures facing most institutions in the future will necessitate increasing emphasis on information about key environmental trends. A logical provider of such information is the Institutional Research Office. Such an office must do more than merely collect the data; the implications of the data for the strategic profile of the institution should be identified in advance for top-level decision makers.

Summary

This article has attempted to apply the concept of "strategic decision making" to colleges and universities. Six strategic decision areas were identified. The determinants of those decisions were discussed in some detail,

as was the relationship of strategic decision making to implementation planning in various parts of the institution. It was suggested that the "environmental scanning" demands of strategic decision making might be assumed by Offices of Institutional Research where appropriate to the needs of the institution.

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FIGURE 1

COLLEGE AND UNIVERSITY PLANNING: AN OVERVIEW OF THE LOGIC

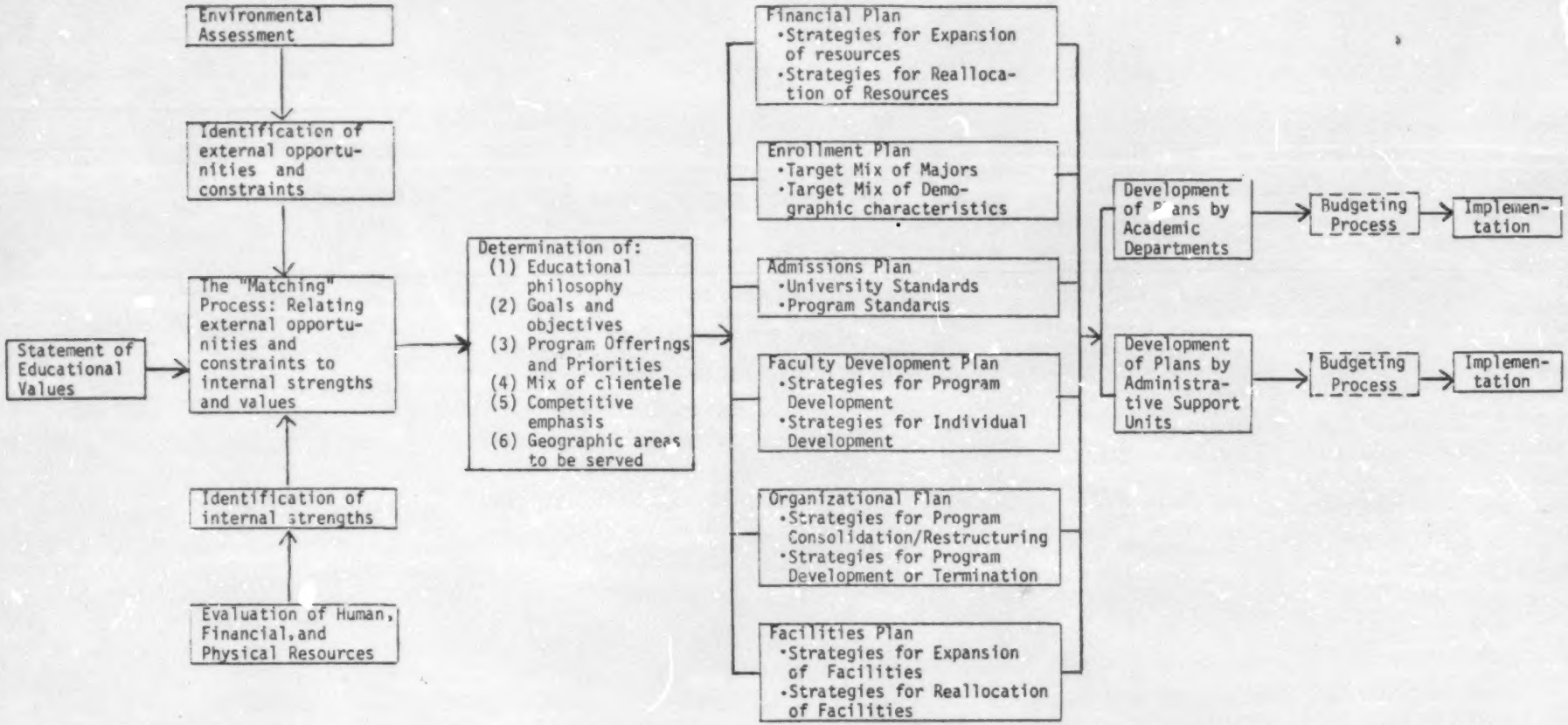

TABLE 1

STRATEGIC DECISIONS FOR THREE ORGANIZATIONAL TYPES

Type of Institution	Basic Philosophy and Values	Goals and Objectives	Product/Program/ Service Mix	Customer Mix	Geographic Areas to be Served	Competitive Emphasis
Business	•Type of industry •Mode of ownership •Corporate Citizenship •Management Style •Fundamental obligations and principles	•Profitability •Growth •Market Share •Survival •Social •Political	•Product lines and characteristics •Product emphases •Price/Quality relationships •New product development	•Target groups •Relative emphasis on target groups •Targets for development	•Supply routes •Distribution channels •Targets for development	•Product design •Product performance •Promotional skills •Low cost •Reputation •Control of scarce raw materials, etc.
University	•Level of program offerings •Mode of ownership and control •Fundamental obligations and principles •Principles of governance	•Student development •Advancement of knowledge •Cultural and clinical services •Life-long learning •Survival	•Program offerings •Program priorities •Cost/Quality relationships •New program development	•Student targets (quality, origins, majors, etc.) •Relative emphasis •on target groups •Target groups for development	•Location of programs •Targets for development	•Quality of Faculty •Location •Facilities •Reputation •Programs offered •Extracurricular activities, etc.
Hospital	•Comprehensiveness and access of care •Mode of ownership and control •Community obligations •Principles of governance •Fundamental obligations and principles	•Patient care •Student development •Advancement of knowledge •Survival	•Types of health care •Relative emphasis on types of care •Cost/Quality relationships •Development of new services	•Patient characteristics •Socio-economic classes to be served	•Location of facilities and personnel •Targets for development	•Quality of care •Reputation •Comprehensiveness of care •Location, etc.